

## **Inpatient and outpatient services: assessing payment adequacy and updating payments**

**ISSUE:** Are payments adequate for the hospital inpatient and outpatient prospective payment systems through fiscal year 2004? What is the appropriate payment update for these services in 2005?

**KEY POINTS:** This tab contains a partial draft of the hospital chapter of the March report. As reported at the December meeting, the chapter documents that beneficiaries' access to care remains stable, the volume of hospital services is increasing, quality of care results are mixed, and access to capital remains good. No evidence of inadequate payments has emerged from reviewing these market indicators.

The rate of increase in hospital costs per unit of output was unusually high in 2001 and 2002, but the forces behind these increases have already shown signs of abating.

The section of the chapter dealing with Medicare margins has not yet been written. Revised margins along with draft update recommendations for inpatient and outpatient payment will be presented at the meeting.

**ACTION:** Based on the material in the draft chapter and the staff presentation, the Commission should finalize update recommendations for inpatient and outpatient payments. Commissioners also have an opportunity to review and comment on the chapter draft.

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